

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF MARQUETTE	County MARQUETTE
Fiscal Year End DECEMBER 31, 2006	Opinion Date JUNE 8, 2007	Date Audit Report Submitted to State JUNE 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SINGLE AUDIT REPORT	
Certified Public Accountant (Firm Name) MAKELA, TOUTANT, HILL & NARDI, P.C.		Telephone Number (906) 228-3600	
Street Address 201 WEST BLUFF STREET		City MARQUETTE	State MI
		Zip 49855	
Authorizing CPA Signature		Printed Name PAUL B. NARDI	License Number 1101020870

Audited Basic Financial Statements
Required Supplementary Information
And Other Supplementary Information

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

December 31, 2006

Audited Basic Financial Statements
Required Supplementary Information
And Other Supplementary Information

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Audited Financial Statements

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Management's Discussion and Analysis

Charter Township of Marquette

Year Ended December 31, 2006

Representing management of the Charter Township of Marquette, (Township), we offer readers of the Township's Financial Statements this narrative overview and analysis of the activities of the Township for the fiscal year ended December 31, 2006.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Marquette Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on all of the Township's assets, liabilities, and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., state revenue sharing, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General, Fire, Township Improvements and Liquor Law Enforcement. The Business-type activities of the Township include: Water, Wastewater, Solid Waste, Well Construction, Stormwater, Debt Service and Metro Authority.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marquette Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information for Governmental Funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

Marquette Township maintains four individual Governmental Funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Fire Fund, and Township Improvements Fund which are considered to be major funds. Data from the only non-major fund, the liquor law enforcement fund, is also presented on these statements.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its Water, Wastewater, Solid Waste, Well Construction, Stormwater, Debt Service, and Metro Authority activities.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Townships programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's financial activities.

Summary of Net Assets

The condensed Statement of Net Assets as of December 31, 2006 and December 31, 2005 is as follows:

	2006		2005	
	Primary Government	Component Unit	Primary Government	Component Unit
ASSETS				
Current Assets	\$ 5,182,148	\$ 49,337	\$ 4,679,910	\$ 112,131
Capital Assets	10,110,861		5,858,731	
Other Assets	354,234		2,730,098	
TOTAL ASSETS	\$ 15,647,243	\$ 49,337	\$ 13,268,739	112,131
LIABILITIES				
Current Liabilities	\$ 1,860,921	\$ 11,158	\$ 1,525,622	\$ 54,565
Non-current Liabilities	5,952,347		4,661,555	
TOTAL LIABILITIES	\$ 7,813,268	\$ 11,158	\$ 6,187,177	\$ 54,565
NET ASSETS				
Investment in capital assets, net of related debt	\$ 4,450,668		\$ 4,085,092	
Restricted	354,234	\$ 38,179	348,879	\$ 57,566
Unrestricted	3,029,073		2,647,591	
TOTAL NET ASSETS	\$ 7,833,975	\$ 38,179	\$ 7,081,562	\$ 57,566

At December 31, 2006, the Township is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities.

In 2006 and 2005, the Township's net assets increased by \$613,022 and \$253,084, respectively and is shown as follows:

Summary of Statement of Activities

	2006			2005		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUE						
Charges for services	\$ 40,213	\$ 1,626,583	\$ 1,666,796	\$ 6,419	\$ 1,251,026	\$ 1,257,445
Capital grants and contributions		73,260	73,260		28,120	28,120
Property taxes	1,128,123		1,128,123	1,077,907		1,077,907
State revenue sharing	239,994		239,994	244,598		244,598
Interest income	41,952	108,814	150,766	28,203	69,982	98,185
Other revenue	129,616	190,581	320,197	108,339	368,287	476,626
TOTAL REVENUE	\$ 1,579,898	\$ 1,999,238	\$ 3,579,136	\$ 1,465,466	\$ 1,717,415	\$ 3,182,881
EXPENDITURES						
General government	\$ 658,212		\$ 658,212	\$ 529,932		\$ 529,932
Public Safety	464,967		464,967	525,563		525,563
Public Works	12,155	\$ 263,860	276,015	12,053	\$ 271,316	283,369
Recreation and cultural	132,726		132,726	130,109		130,109
Road improvements	100,704		100,704	232,346		232,346
Interest on long-term debt	53,889	86,946	140,835	78,216		78,216
Water and sewer		1,187,981	1,187,981		1,145,103	1,145,103
Other expenditures	4,674		4,674	4,674	485	5,159
TOTAL EXPENDITURES	\$ 1,427,327	\$ 1,538,787	\$ 2,966,114	\$ 1,512,893	\$ 1,416,904	\$ 2,929,797
Change in Net Assets	\$ 152,571	\$ 460,451	\$ 613,022	\$ (47,427)	\$ 300,511	\$ 253,084
NET ASSETS AT END OF YEAR	\$ 1,321,950	\$ 6,512,025	\$ 7,833,975	\$ 1,029,988	\$ 6,051,574	\$ 7,081,562

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending as of the end of the fiscal year.

As of December 31, 2006, the Township's Governmental Funds reported combined ending fund balances of \$501,235. Approximately 84 percent of this total amount, \$422,604, constitutes unreserved fund balance, which is available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. As of December 31, 2006, unreserved fund balance of the General Fund was \$247,653. Unreserved fund balance represents 22 percent of the total General Fund expenditures.

Proprietary Funds: The Township's Proprietary Funds provide the same type of information as the business-type activities found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Wastewater, Solid Waste, Well Construction, Stormwater, Debt Service and Metro Authority Funds at the end of the year totaled \$2,777,441.

General Fund Budgetary Highlights

The original budget and the final amended budget differed by an increase of \$17,170 and can be briefly summarized as follows:

Revenue increased by \$10,000 due to Interest \$5,000 and Other Revenue \$5,000. Expenses increased mainly in the General Services Department, \$51,470; Assessor \$12,000; Township Board, \$1,120; Township Supervisor \$700; Township Manager, \$1,000; offset by decreases in Professional Services, \$5,628; Clerk, \$5,000; Building and Grounds \$9,000; Planning, \$2,000; and Debt Service, \$17,900.

Capital Asset and Debt Administration

Capital Assets: The Township's investment in capital assets for its governmental and business type activities as of December 31, 2006, and December 31, 2005 amount to \$10,110,861 and \$5,858,731, respectively (net of accumulated depreciation). This investment in capital assets is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 1,171,756	\$ 1,171,756	\$ 240,000	\$ 240,000
Land improvements	27,205	27,205	560,293	560,293
Building and improvements	130,355	140,799	157,978	166,902
Machinery and equipment	14,365	18,018	22,012	28,712
Vehicles	370,198	362,744	53,335	66,690
Infrastructure assets			7,363,364	3,075,612
Total Capital Assets	<u>\$ 1,713,879</u>	<u>\$ 1,720,522</u>	<u>\$ 8,396,982</u>	<u>\$ 4,138,209</u>

The major capital asset addition was the water well project, which was put into use in December of 2006. The cost of the project approximated \$4.2 million.

Long-Term Debt: At the end of 2006 and 2005, the Township had total bonded and installment debt outstanding of \$5,952,350 and \$4,546,846. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government.

	2006	2005
Governmental Activities General Obligation		
Refunding bonds--unlimited Tax, series 1998	\$ 27,306	\$ 40,959
Land Purchase note--2004	470,400	509,600
Fire truck note	106,161	139,584
Compensated absences	31,908	31,763
Wildland fire engine	67,000	
Badger creek drain bonds	167,073	217,196
Total	\$ 869,848	\$ 939,102
Business-Type Activities Bonds Payable		
Refunding bonds--unlimited tax series 1998	\$ 16,964	\$ 25,446
Refunding bonds--limited tax series 1998A	700,347	863,292
Solid Waste authority bonds	28,552	36,654
Land purchase note - 2005	224,000	240,000
Compensated absences	37,316	31,616
Deferred loss	(98,861)	(118,993)
Michigan municipal bonds authority	4,174,184	2,529,729
Total	\$ 5,082,502	\$ 3,607,744
Total Long-Term Debt	\$ 5,952,350	\$ 4,546,846

Economic Factors and Next Year's Budget and Rates

For 2007, property tax revenue increases in the General and Fire Fund average 19%, offset by decreases in State Revenue Sharing of 1%. The General Fund expenses will increase by 10%, mainly due to the increase of \$175,000 transferred to Township Improvements Fund for road repairs as mandated by voter approval. The Fire Department expenses increased by 40%, due to the debt payment for the Fire Trucks and the purchase of radios through a FEMA grant. The debt service fee in the Solid Waste fund also increased \$14/ton to \$16/ton for commercial users.

During 2006, unreserved fund balance in the General Fund increased to \$247,653. The Township has presented a balanced budget in the 2007 budget, as there was no unreserved fund balance to appropriate.

The Water rates decreased for 2007 by 10%, as Marquette Township started operating with a new water system in December of 2006, which will initially serve 66% of the water demand. The Wastewater rates stayed the same as 2006 levels. A DWRF debt service fee was implemented to finance the water project.

Requests for Information

This financial report is designed to provide a general overview of Marquette Township's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Randell Girard, Township Manager
Marquette Township
161 County Road 492
Marquette, MI 49855



MAKELA, TOUTANT, HILL & NARDI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street
Marquette, Michigan 49855

Members
American Institute of CPA's
Michigan Association of CPA's

INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Marquette
Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, (Township), Marquette, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Marquette, Michigan, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2007, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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Our goal is to help you meet yours!

◆ Phone: (906) 228-3600 ◆ Fax: (906) 228-3113 ◆ Wats: (800) 228-0554 ◆ E-Mail: mthn@mthn.com ◆

Township Board
Charter Township of Marquette

The management's discussion and analysis and budgetary comparison information on pages one through seven and 43 through 45, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual non-major fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Township. The combining and individual non-major fund financial statements and the schedule of expenditures and federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Makela, Youtant, Hill + Nardi, P.C.

June 8, 2007

STATEMENT OF NET ASSETS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 574,420	\$ 2,472,275	\$ 3,046,695	\$ 49,337
Receivables:				
Taxes	1,301,136		1,301,136	
Special assessments		341,104	341,104	
Trade accounts	69,429	70,159	139,588	
Prepaid expense	11,834	341,791	353,625	
Interfund balances	(102,500)	102,500		
Investment in wastewater treatment plant		265,514	265,514	
Investment in landfill authority		88,720	88,720	
Capital assets, net of accumulated depreciation	<u>1,713,879</u>	<u>8,396,982</u>	<u>10,110,861</u>	
TOTAL ASSETS	<u>3,568,198</u>	<u>12,079,045</u>	<u>15,647,243</u>	<u>49,337</u>
LIABILITIES				
Accounts payable	29,958	142,127	172,085	11,158
Deposits payable		66,712	66,712	
Accrued liabilities	14,658	11,265	25,923	
Accrued interest	15,332	34,417	49,749	
Deferred revenue	1,316,452	230,000	1,546,452	
Noncurrent liabilities:				
Compensated absences	31,908	37,316	69,224	
Notes payable--due within one year	89,474	16,000	105,474	
Notes payable--due in more than one year	554,087	208,000	762,087	
Bonds payable--due within one year	67,116	338,810	405,926	
Bonds payable--due in more than one year	<u>127,263</u>	<u>4,482,373</u>	<u>4,609,636</u>	
TOTAL LIABILITIES	<u>2,246,248</u>	<u>5,567,020</u>	<u>7,813,268</u>	<u>11,158</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,070,318	3,380,350	4,450,668	
Restricted		354,234	354,234	38,179
Unrestricted	<u>251,632</u>	<u>2,777,441</u>	<u>3,029,073</u>	
TOTAL NET ASSETS	<u>\$1,321,950</u>	<u>\$ 6,512,025</u>	<u>\$ 7,833,975</u>	<u>\$ 38,179</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2006

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets			
		Charge for	Operating	Capital		Business		Component
	Expenses	Services	Grants and	Grants and	Governmental	Type	Total	Unit
			Contributions	Contributions	Activities	Activities		
FUNCTIONS/PROGRAMS:								
Governmental Activities:								
Legislative	\$ 72,755				\$ (72,755)		\$ (72,755)	
General services and administration	585,457	\$ 5,400			(580,057)		(580,057)	
Public Safety	464,967	20,713			(444,254)		(444,254)	
Public Works	12,155				(12,155)		(12,155)	
Recreation	132,726				(132,726)		(132,726)	
Road improvements	100,704	14,100			(86,604)		(86,604)	
Interest on long-term debt	53,889				(53,889)	\$ (86,946)	(140,835)	
Depreciation--unallocated	4,674				(4,674)		(4,674)	
TOTAL GOVERNMENTAL ACTIVITIES	1,427,327	40,213	\$ 0	\$ 0	(1,387,114)	(86,946)	(1,474,060)	\$ 0
Business Type Activities:								
Well construction								
Wastewater	482,722	460,034		73,260		50,572	50,572	
Water	705,259	973,636				268,377	268,377	
Solid Waste	263,860	192,913				(70,947)	(70,947)	
TOTAL BUSINESS TYPE ACTIVITIES	1,451,841	1,626,583		73,260		248,002	248,002	
TOTAL PRIMARY GOVERNMENT	\$ 2,879,168	\$ 1,666,796	\$ 0	\$ 73,260	(1,387,114)	161,056	(1,226,058)	\$ 0
Component unit--Downtown								
Development Authority	\$ 30,962	\$ 0	\$ 0	\$ 0				30,962
General Revenues:								
Taxes					1,128,123		1,128,123	11,575
Unrestricted state sources					239,994		239,994	
Interest and investment earnings					41,952	108,814	150,766	
Licenses, permits, and fees					13,151	127,034	140,185	
Miscellaneous					59,465	120,547	180,012	
Transfers--net					57,000	(57,000)		
TOTAL GENERAL REVENUES					1,539,685	299,395	1,839,080	11,575
CHANGE IN NET ASSETS					152,571	460,451	613,022	(19,387)
Net assets at beginning of year					1,029,988	6,051,574	7,081,562	57,566
Restatement					139,391		139,391	
Restated net assets at beginning of year					1,169,379	6,051,574	7,220,953	57,566
NET ASSETS AT END OF YEAR					\$ 1,321,950	\$ 6,512,025	\$ 7,833,975	\$ 38,179

See accompanying notes to the basic financial statements.

GOVERNMENTAL FUNDS--BALANCE SHEET

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

December 31, 2006

	Major Funds			Non-Major Funds	Total Government Funds
	General Fund	Fire Fund	Township Improvements	Liquor Law Enforcement	
ASSETS					
Cash and cash equivalents	\$ 215,486	\$ 173,011	\$ 181,131	\$ 4,792	\$ 574,420
Receivables:					
Taxes	944,634	356,502			1,301,136
Trade accounts	69,429				69,429
Due from other funds	7,984				7,984
Prepaid expense	10,158	1,676			11,834
TOTAL ASSETS	\$ 1,247,691	\$ 531,189	\$ 181,131	\$ 4,792	\$ 1,964,803
LIABILITIES					
Accounts payable	\$ 26,629	\$ 3,329			\$ 29,958
Due to other funds			\$ 102,500		102,500
Accrued payroll expenses	12,000	2,658			14,658
Deferred revenue	961,409	355,043			1,316,452
TOTAL LIABILITIES	1,000,038	361,030	102,500	0	1,463,568
FUND BALANCES					
Reserved:					
Unreserved, reported in:			78,631		78,631
General Fund	247,653				247,653
Special Revenue Funds		170,159		4,792	174,951
TOTAL FUND BALANCE	247,653	170,159	78,631	4,792	501,235
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,247,691	\$ 531,189	\$ 181,131	\$ 4,792	\$ 1,964,803

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Total governmental fund balance \$ 501,235

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources; therefore, are not reported as assets in
governmental funds. Capital assets at year end consist of:

Cost of capital assets	\$ 2,754,466	
Accumulated depreciation	<u>(1,040,587)</u>	1,713,879

Interfund payables and receivables to non-governmental funds are
not included in the governmental activities Statement of Net
Assets. The governmental funds have a net interfund receivable
from the fiduciary funds of \$7,984, that is not included in the
governmental activities in the Statement of Net Assets. (7,984)

Interest on long-term debt is recorded in the governmental
activities Statement of Net Assets when it accrues, regardless
of when it is due. In the governmental funds, however, it
is recorded as an expenditure when it is due, and thus
requiring the use of current financial resources. The current
year net change in accrued interest is \$15,332. (15,332)

Non-current liabilities, including bonds payable, are not due and
payable in the current period; therefore, are not reported
as liabilities in governmental funds. Non-current liabilities at
year end consist of:

Bonds payable	(194,379)	
Notes payable	(643,561)	
Compensated absences	<u>(31,908)</u>	<u>(869,848)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,321,950</u>
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See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--
GOVERNMENTAL FUNDS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2006

	Major Funds			Non-Major Fund	Total Government Funds
	General Fund	Fire Fund	Township Improvements	Liquor Law Enforcement	
REVENUES					
Taxes	\$ 805,937	\$ 322,186			\$ 1,128,123
Licenses, permits, and fees	7,394	1,050		\$ 4,707	13,151
State revenue sharing	239,994				239,994
Charges for services	5,400	20,713			26,113
Interest income	30,995	4,661	\$ 6,220	76	41,952
Reimbursement			14,100		14,100
Other	57,622	1,843			59,465
TOTAL REVENUES	1,147,342	350,453	20,320	4,783	1,522,898
EXPENDITURES					
Current:					
Legislative	72,755				72,755
General government	568,485	16,268	546		585,299
Public Safety	173,869	203,009			376,878
Public Works	12,155				12,155
Recreation	132,726				132,726
Road improvements			100,704		100,704
Capital outlay	936	27,903			28,839
Debt service:					
Principal	89,323	34,338			123,661
Interest	33,882	4,675			38,557
TOTAL EXPENDITURES	1,084,131	286,193	101,250	0	1,471,574
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	63,211	64,260	(80,930)	4,783	51,324
OTHER FINANCING SOURCES (USES)					
Operating transfers in	65,707		55,000		120,707
Operating transfers out	(55,000)	(4,000)		(4,707)	(63,707)
OTHER FINANCING SOURCES (USES)	10,707	(4,000)	55,000	(4,707)	57,000
NET CHANGE IN FUND BALANCES	73,918	60,260	(25,930)	76	108,324
Fund balance at beginning of year	173,735	109,899	104,561	4,716	392,911
FUND BALANCE AT END OF YEAR	\$ 247,653	\$ 170,159	\$ 78,631	\$ 4,792	\$ 501,235

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2006

Net change in fund balances--governmental funds		\$ 108,324
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	\$ (92,776)	
Capital outlay	<u>28,839</u>	(63,937)
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		(15,332)
Repayments of long-term debt principal is an expenditure in the governmental funds, but not in the Statement of Activities.		123,661
In the Statement of Activities, certain operating expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year the total amount earned for compensated absences exceeded the amount paid.		<u>(145)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 152,571</u>

See accompanying notes to the basic financial statements.

STATEMENT OF NET ASSETS--PROPRIETARY FUNDS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

	Well Construction Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Other Enterprise Funds	Total
ASSETS						
Current assets:						
Cash and cash equivalents		\$ 1,160,444	\$ 1,007,661	\$ 192,488	\$ 111,682	\$ 2,472,275
Receivables:						
Special assessments		112,427	228,677			341,104
Trade accounts		32,544	21,075	16,540		70,159
Due from other funds				102,500	185,000	287,500
Prepaid expenses		24,933	316,464	394		341,791
TOTAL CURRENT ASSETS	\$ 0	1,330,348	1,573,877	311,922	296,682	3,512,829
Noncurrent assets:						
Buildings and improvements		141,006	212,955			353,961
Machinery and equipment		46,900				46,900
Vehicles		63,187	63,187			126,374
Land			240,000			240,000
Land improvements		560,293				560,293
Infrastructure assets		2,843,232	6,072,315			8,915,547
Accumulated depreciation		(977,096)	(868,996)			(1,846,092)
Investment in wastewater treatment plant		265,514				265,514
Investment in landfill authority				88,720		88,720
TOTAL NONCURRENT ASSETS	0	2,943,036	5,719,461	88,720	0	8,751,217
TOTAL ASSETS	\$ 0	\$ 4,273,384	\$ 7,293,338	\$ 400,642	\$ 296,682	\$ 12,264,046
LIABILITIES						
Current liabilities:						
Accounts payable		\$ 12,308	\$ 121,443	\$ 8,376		\$ 142,127
Deposits payable			53,617	13,095		66,712
Accrued payroll expense		4,838	5,992	435		11,265
Interest payable		5,090			\$ 29,327	34,417
Deferred revenue			230,000			230,000
Due to other funds			185,000			185,000
Current portion of bonds payable		168,941	190,000	8,681		367,622
Current portion of notes payable			16,000			16,000
TOTAL CURRENT LIABILITIES	\$ 0	191,177	802,052	30,587	29,327	1,053,143
Noncurrent liabilities:						
Accrued sick and vacation		18,658	18,658			37,316
Bonds payable, net current portion		449,508	3,984,184	19,870		4,453,562
Notes payable, net current portion			208,000			208,000
TOTAL NONCURRENT LIABILITIES	0	468,166	4,210,842	19,870	0	4,698,878
TOTAL LIABILITIES	0	659,343	5,012,894	50,457	29,327	5,752,021
NET ASSETS						
Invested in capital assets, net of debt		2,059,073	1,321,277			3,380,350
Restricted		265,514		88,720		354,234
Unrestricted		1,289,454	959,167	261,465	267,355	2,777,441
TOTAL NET ASSETS	0	3,614,041	2,280,444	350,185	267,355	6,512,025
TOTAL LIABILITIES AND NET ASSETS	\$ 0	\$ 4,273,384	\$ 7,293,338	\$ 400,642	\$ 296,682	\$ 12,264,046

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
--PROPRIETARY FUNDS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2006

	Well Construction Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Other Enterprise Funds	Total
OPERATING REVENUES						
Charges for services		\$ 460,034	\$ 973,636	\$ 192,913		\$ 1,626,583
Licenses, permits, and fees		60,675	66,359			127,034
Fines		2,659	724	123		3,506
Other		25,947	12,315	74,022	\$ 4,757	117,041
TOTAL OPERATING REVENUES	\$ 0	549,315	1,053,034	267,058	4,757	1,874,164
OPERATING EXPENSES						
Salaries and wages		109,133	139,590	8,039		256,762
Employee benefits and payroll taxes		59,083	61,953	2,883		123,919
Supplies		5,947	7,742	303		13,992
Professional services		7,147	71,945	1,655		80,747
Travel		50	1,453	1		1,504
Community promotion				11,733		11,733
Education			235			235
Other services		147,640	349,961	228,570		726,171
Capital expenses						0
Amortization				8,297		8,297
Depreciation		92,746	60,822			153,568
TOTAL OPERATING EXPENSES	0	421,746	693,701	261,481	0	1,376,928
OPERATING INCOME	0	127,569	359,333	5,577	4,757	497,236
NON-OPERATING REVENUES (EXPENSES)						
Interest income		47,146	58,458	2,641	569	108,814
Contribution from customers		73,260				73,260
Interest and fiscal charges		(60,976)	(11,558)	(2,379)	(86,946)	(161,859)
TOTAL NON-OPERATING REVENUES (EXPENSES)	0	59,430	46,900	262	(86,377)	20,215
INCOME (LOSS) BEFORE TRANSFERS	0	186,999	406,233	5,839	(81,620)	517,451
Transfers in	17,409				314,453	331,862
Transfers out		(23,000)	(342,862)	(23,000)		(388,862)
CHANGE IN NET ASSETS	17,409	163,999	63,371	(17,161)	232,833	460,451
Net assets at beginning of year	(17,409)	3,450,042	2,217,073	367,346	34,522	6,051,574
NET ASSETS AT END OF YEAR	\$ 0	\$ 3,614,041	\$ 2,280,444	\$ 350,185	\$ 267,355	\$ 6,512,025

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2006

	Wastewater	Water	Solid Waste	Other Enterprise Funds	Total
CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES					
Net cash received from fees and charges for services	\$ 587,712	\$ 1,525,816	\$ 274,048	\$ 4,757	\$ 2,392,333
Cash payments to suppliers and employees for goods and services	(320,529)	(846,457)	(257,411)	(484)	(1,424,881)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	267,183	679,359	16,637	4,273	967,452
NON-CAPITAL FINANCING ACTIVITIES					
Net operating transfers	(23,000)	(325,453)	(23,000)	314,453	(57,000)
Change in interfund balances		185,000		(185,000)	
Proceeds from loan for purchase of land					
Fire protection charges					
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(23,000)	(140,453)	(23,000)	129,453	(57,000)
CAPITAL FINANCING ACTIVITIES					
Acquisition of capital assets					
Bond borrowings		1,829,455			1,829,455
Principal payments on long-term debt	(171,427)	(201,000)	(8,102)		(380,529)
Interest and fiscal payments on long-term debt	(62,820)	(11,558)	(2,379)	(57,619)	(134,376)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(234,247)	1,616,897	(10,481)	(57,619)	1,314,550
INVESTING ACTIVITIES					
Interest income	47,146	58,458	2,641	569	108,814
Other cash received	73,260				73,260
Capital expenditures	(162,813)	(1,868,307)			(2,031,120)
NET CASH USED BY INVESTING ACTIVITIES	(42,407)	(1,809,849)	2,641	569	(1,849,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,471)	345,954	(14,203)	76,676	375,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,192,915	661,707	206,691	35,006	2,096,319
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,160,444	\$ 1,007,661	\$ 192,488	\$ 111,682	\$ 2,472,275
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	127,569	359,333	5,578	4,757	497,237
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	112,877	60,822	8,297		181,996
Deferred revenue		230,000			
Other	(13,653)				(13,653)
Changes in assets and liabilities:					
(Increase) Decrease in accounts receivable	13,944	466,769	6,139		486,852
(Increase) Decrease in construction in progress	24,453	(228,677)			(204,224)
(Increase) Decrease in prepaid expenses	(375)	(292,189)	153		(292,411)
Increase (Decrease) in accounts payable	(546)	73,173	(4,395)	(484)	67,748
Increase (Decrease) in security deposits payable		4,690	850		5,540
Increase (Decrease) in accrued liabilities	2,914	5,438	15		8,367
TOTAL ADJUSTMENTS	139,614	320,026	11,059	(484)	470,215
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 267,183	\$ 679,359	\$ 16,637	\$ 4,273	\$ 967,452

See accompanying notes to the basic financial statements.

STATEMENT OF FIDUCIARY NET ASSETS

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

December 31, 2006

	<u>Agency</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS--Cash and cash equivalents	<u>\$ 38,918</u>	<u>\$ 774,424</u>	<u>\$ 813,342</u>
LIABILITIES			
Accounts payable	\$ 492		\$ 492
Due to other funds	833	\$ 7,151	7,984
Due to other governmental units	32,825	767,273	800,098
Other	<u>4,768</u>		<u>4,768</u>
TOTAL LIABILITIES	<u>\$ 38,918</u>	<u>\$ 774,424</u>	<u>\$ 813,342</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2006

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Marquette, (Township), Marquette, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Township are discussed below:

REPORTING ENTITY

The Township was organized in 1871 and became a Charter Township in 1986. The Township operates under an elected Board of seven members and provides services to its residents including public safety, utility services, community enrichment, and development. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Marquette, Marquette, Michigan, (the primary government), and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational and financial relationships with the Township.

Component Unit: In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Downtown Development Authority (DDA) have been included in the financial reporting entity as a discretely presented component unit. Board members of the DDA are appointed by the Township Supervisor and approved by the Township Board. The Township is neither able to reject or modify major projects nor able to remove DDA Board members at its discretion. The criteria for blending are not met since the DDA does not provide services entirely or almost entirely to the Township. In addition, the DDA Board and the Township Board are not substantively the same.

Certain other governmental organizations are not considered to be component units of the Township entity for financial reporting purposes. The criteria established by Governmental Accounting Standards Board Statement No. 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basic Financial Statements--Government-wide Financial Statements

The Township's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements measure and report all financial information using the economic resources measurement focus and the accrual basis of accounting. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported as either invested in capital assets, net of related debt, restricted, or unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, privileges provided, or services of a given function or segment and (2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The government-wide focus emphasizes the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Basic Financial Statements--Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and must be recognized as revenues of the current fiscal period. All other revenue is considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, if measurable.

The Township reports the following major Governmental Funds:

General Fund--The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Fire Fund--The Fire Fund is used to account for all activities of the fire department.

Township Improvements Fund--The Township Improvements Fund is used to account for all activities for recreation, building and road capital improvements.

The Township reports the following major Proprietary Funds:

Well Construction Fund--The Well Construction Fund was established in 2005 to account for the construction activities of the new Township water system.

Wastewater Fund--The Wastewater Fund accounts for the operations of wastewater disposal and treatment for approximately 747 Township customers.

Water Fund--The Water Fund accounts for the activities of the water distribution and treatment system for approximately 965 Township customers.

Solid Waste--The Solid Waste Fund accounts for the operation of providing garbage and recycling services to residents, as well as landfill usage and spring and fall cleanup.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Additionally, the Township reports the following Fiduciary Fund types:

Trust and Agency Fund--The Trust and Agency Fund accounts for payroll withholdings and resulting payments, as well as the collection and disbursement of delinquent personal property taxes.

Tax Collection Fund--The Tax Collection Fund accounts for the collection and distribution of property taxes, as well as dog tags for the County of Marquette.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the government combined) for the determination of major funds.

The Township's Fiduciary Funds are presented in the Fund Financial Statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The Township will first apply restricted net assets for expenses incurred for purposes for which both restricted and unrestricted net assets are available.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Stormwater, and Solid Waste Enterprise Funds are charges to customers for sales and services. The Enterprise Funds also recognize, as operating revenues, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

BUDGETS AND BUDGETARY ACCOUNTING

The Township adopts annual budgets for its General and Special Revenue Funds that can be amended by the Township Board throughout the year. Formal budgetary accounting is employed as a management control for all of its other funds. For each of the funds to which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on a basis consistent with accounting principles generally accepted in the United States of America. The budgeted financial statements in this report reflect the final budget authorizations, including amendments. All unexpended appropriations lapse at the fiscal year end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the Statement of Cash Flows, cash equivalents include cash on hand, cash in checking, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with maturity of three months or less at the date of their acquisition.

DEPOSITS AND INVESTMENTS

The Township reports its deposits and investments in accordance with GASB No. 40, *Deposit and Investment Risk Disclosures*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed. The Township did not have any investments as of December 31, 2006.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, mutual funds composed of investments as described above, and obligations of the State of Michigan or any of its political subdivisions, that at the time of purchase, are rated as investment grade by not less than one standard rating service.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

RECEIVABLES

Revenues earned but not yet received are recorded as receivables on the Township's balance sheet. A provision for doubtful accounts is not necessary since all significant amounts have been collected subsequent to the balance sheet date.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed. No such interest expense was incurred during the current fiscal year.

Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Fund's balance sheets. Depreciation of exhaustible capital assets used by Governmental Funds is recorded in the government-wide statement of activities.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	39-40
Vehicles	5-9
Machinery and equipment	3-10
Infrastructure	5-50

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

PROPERTY TAXES

The Township collects property taxes that are levied on December 1, based on the taxable value of property. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" to finance current expenditures.

COMPENSATED ABSENCES

Township employees are entitled to certain compensated absences based on their length of service. Sick leave hours are credited to each employee as earned during a calendar year at a rate of one day per month. Employees are compensated for one-half of their unused accumulated sick leave hours up to a maximum of 480 hours upon separation or retirement from the Township. Vacation hours are earned based on years of service and are recorded and considered payable on the first day of the new fiscal year. A maximum of 120 vacation hours may be carried over to the next fiscal year.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured or are considered a current liability.

DUE TO/FROM OTHER FUNDS

The Township has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or Proprietary Fund type Statement of Net Assets. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE B--CASH AND CASH EQUIVALENTS

The Township's cash and cash equivalents included in the basic financial statements as of December 31, 2006, consist of the following:

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units	Fiduciary Activities
Cash and cash equivalents	\$ 574,420	\$ 2,472,275	\$ 3,046,695	\$ 49,337	\$ 813,342

Cash and cash equivalents can also be summarized into the following categories:

Cash on hand	\$ 500
Demand deposits	30,966
Savings--primary government	903,305
Demand deposits--component unit	49,337
Money markets	1,507,317
Time deposits	1,417,000
Cash with paying agent	949
	<u>\$ 3,909,374</u>

At year-end, the carrying amount of the Township's deposits with financial institutions was \$3,909,374 and the balance per bank statement was \$3,965,781. Of the bank balance, \$400,000 of the Township's deposits was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining balance of \$3,565,781 was uninsured and uncollateralized. Therefore, the Township is subject to custodian credit risk. Custodian credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to it. The Township places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the Township subject to minimal credit risk.

The Township did not have any investments as of December 31, 2006.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE C--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at December 31, 2006, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 7,984	Tax collection	\$ 7,151
Well Construction	6,201	Township Improvements	102,500
Solid Waste	102,500	Agency	833
DWRF debt service	<u>185,000</u>	Water	<u>191,201</u>
TOTAL PRIMARY GOVERNMENT	301,685	TOTAL PRIMARY GOVERNMENT	301,685
TOTAL COMPONENT UNITS	<u>0</u>	TOTAL COMPONENT UNITS	<u>0</u>
TOTAL REPORTING ENTITY	<u>\$ 301,685</u>	TOTAL REPORTING ENTITY	<u>\$ 301,685</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE D--CAPITAL ASSETS

A summary of the capital asset activity for the year ended December 31, 2006, was as follows:

Primary Government

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Governmental activities				
Capital assets not depreciated:				
Land	\$ 1,171,756			\$ 1,171,756
Land improvements	27,205			27,205
Total governmental capital assets not being depreciated	1,198,961	\$ 0	\$ 0	1,198,961
Capital assets being depreciated:				
Building and improvements	347,470			347,470
Fire equipment	25,572			25,572
Vehicles	1,096,330	86,133		1,182,463
Total governmental capital assets being depreciated	1,469,372	86,133	0	1,555,505
Less accumulated depreciation for:				
Building and improvements	206,671	10,444		217,115
Fire equipment	7,554	3,653		11,207
Vehicles	733,586	78,679		812,265
Total accumulated depreciation of governmental capital assets	947,811	92,776	0	1,040,587
Total capital assets being depreciated, net	521,561	(6,643)	0	514,918
Governmental capital assets, net	\$ 1,720,522	\$ (6,643)	\$ 0	\$ 1,713,879

The following is a breakdown of current depreciation for the primary government capital assets:

Public Safety--Fire Fund	\$ 88,102
Unallocated depreciation	4,674
Total primary government depreciation	\$ 92,776

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE D--CAPITAL ASSETS--Continued

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 240,000			\$ 240,000
Land improvements	560,293			560,293
Total business-type capital assets not being depreciated	800,293	\$ 0	\$ 0	800,293
Capital assets being depreciated:				
Buildings and improvements	353,961			353,961
Machinery and equipment	46,900			46,900
Vehicles	126,374			126,374
Infrastructure assets	4,503,208	4,412,338		8,915,546
Total business-type capital assets being depreciated	5,030,443	4,412,338	0	9,442,781
Less accumulated depreciation for:				
Buildings and improvements	187,059	8,924		195,983
Machinery and equipment	18,188	6,700		24,888
Vehicles	59,684	13,355		73,039
Infrastructure assets	1,427,596	124,586		1,552,182
Total accumulated depreciation	1,692,527	153,565	0	1,846,092
Total capital assets being depreciated, net	3,337,916	4,258,773	0	7,596,689
Business-type capital assets, net	\$ 4,138,209	\$ 4,258,773	\$ 0	\$ 8,396,982

NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT

On July 1, 1993, an amendment to the Marquette County Wastewater Disposal System contract changed the ownership of the three municipalities involved. The Charter Township of Marquette paid to the City of Marquette and to the Charter Township of Chocolay the sum of \$54,743 for an allocation of an additional 4.5 percent of the capacity of the facility. They also assumed an additional 4.5 percent of future bonded debt payments of the facility.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT--Continued

The new ownership percentages for the City of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette, after the amendment, are 77.55 percent, 12.45 percent, and 10.00 percent, respectively. In a separate agreement between the Charter Township of Marquette and the Township's Downtown Development Authority (DDA), the DDA assumed financial responsibility for this increased capacity and bonded debt through payment of the \$54,743 to each party plus 45 percent of the bonded debt payments. Accordingly, each year, the DDA makes transfers to the Township to cover their share of the bonded debt.

The facility has a separate advisory board made up of three representatives from the City of Marquette, one from Chocolay Township, and one from the Charter Township of Marquette. The advisory board and the governing board of the City of Marquette approve the budget for the facility. The usage rate for the governmental units are set by the facility's board. The fiscal year of the facility ends June 30 and a separate audit report of the facility for the fiscal year ended June 30, 2006, has been issued.

A summary of financial information of the facility for the year ended June 30, 2006, is as follows:

Assets	\$ 5,713,193
Liabilities	659,418
Fund equity	5,053,775
Total operating revenues	1,211,520
Total operating expenses	1,643,593
Operating loss	(432,073)
Net loss	(385,181)
Township's share of net loss	(38,518)

The Township's share of the facility's equity at June 30, 2006, increased by contributions to the facility since that date, is recorded as an asset on the Township's financial statements. The municipalities are charged for their usage of the system in amounts equal to the annual operating expenses, excluding depreciation. The Township's share of the facility's assets, liabilities, equity, and changes in equity is equal to its ownership percentage.

The construction of the facility was partially financed through bonds issued by Marquette County for which the full faith and credit of the three municipalities have been pledged. The Charter Township of Marquette's portion of that debt is \$27,306 at December 31, 2006.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE F--INVESTMENT IN SOLID WASTE AUTHORITY

During 1988, the Township joined the Marquette County Solid Waste Management Authority (Authority). The Township paid an initial fee of \$102,623 and agreed to repay a proportional share of the 1988 bond issue of \$2,675,000 to the Authority. On July 13, 1993, the Authority refunded the Series 1988 bonds by issuing \$2,195,000 in Local Government Loan Refunding Revenue Bonds, Series 1993B. The Township's proportional share was adjusted in 2002 based upon the population changes of the 2000 census.

A summary of financial information from the separately audited financial statements of the Authority as of and for the year ended June 30, 2006, is as follows:

Total assets	\$ 13,505,304
Total liabilities	2,135,432
Total equity	11,369,872
Total operating revenues	2,368,781
Total operating expenses	2,625,815
Net income	(165,910)
Total long-term debt	1,748,847

The Township accounts for its investment in the Authority by the cost method. The total outstanding debt is payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

NOTE G--DRAINAGE DISTRICT

The Marquette County Drain Commission established a drainage district that contains a portion of Marquette Township. Accordingly, the Township is responsible for a portion of improvement costs. The Township's portion of the expense is approximately \$754,689, which included a \$200,000 payment made by the Township at the beginning of the project with the remaining amount payable as part of the 15-year Badger Creek Drain Bonds issued in 1995. The Township's debt is \$167,073, as of December 31, 2006.

NOTE H--LONG-TERM DEBT

The Township was a participant in two separate bond refunding series conducted by Marquette County. The new bonds were used to retire various bond series issued by the County on behalf of local municipalities. The total savings resulting from lower interest rates of each bond refunding series was allocated between the various municipalities involved based on a ratio of debt outstanding to total refunded debt. As a result, the Township recognized a deferred loss of \$239,784 in its Wastewater Fund. The deferred losses are amortized to interest expense on a straight-line basis over the life of the bonds. As of December 31, 2006, the remaining deferred loss of \$98,860 is netted against debt obligations to arrive at the debt listed on the Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE H--LONG-TERM DEBT--Continued

A summary of the activity in long-term debt for the year ended December 31, 2006, is as follows:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
PRIMARY GOVERNMENT				
Governmental Activities General Obligation				
Long-Term Debt:				
Refunding Bonds--Unlimited Tax,				
Series 1998	\$ 40,959		\$ 13,653	\$ 27,306
Land purchase note--2004	509,600		39,200	470,400
Fire truck note	139,584		33,423	106,161
Compensated absences	31,763	\$ 145		31,908
Badger Creek Drain Bonds	217,196		50,123	167,073
Wildland Fire Engine		67,000		67,000
	939,102	67,145	136,399	869,848
Business-Type Activities Bonds Payable:				
Refunding Bonds--Unlimited Tax,				
Series 1998	25,446		8,482	16,964
Refunding Bonds--Limited Tax,				
Series 1998A	863,292		162,945	700,347
Solid Waste Authority bonds	36,654		8,102	28,552
Land purchase note--2005	240,000		16,000	224,000
Michigan Municipal Bonds Authority	2,529,729	1,829,455	185,000	4,174,184
Compensated absences	31,616	5,700		37,316
Deferred loss	(118,993)		(20,132)	(98,861)
	3,607,744	1,835,155	360,397	5,082,502
TOTAL PRIMARY GOVERNMENT	4,546,846	1,902,300	496,796	5,952,350
TOTAL REPORTING ENTITY	\$ 4,546,846	\$ 1,902,300	\$ 496,796	\$ 5,952,350

The annual principal and interest requirements for the years ending December 31, 2006 through December 31, 2025, are as follows:

	2007	2008	2009	2010	2011	2012-2016	2017-2025
Primary Government							
General Long-Term Debt	\$ 156,590	\$ 162,119	\$ 148,380	\$ 57,251	\$ 39,200	\$ 196,000	\$ 78,400
Business-Type Activities							
Long-Term Obligations	383,622	379,661	374,770	526,810	285,000	1,090,000	2,104,184
TOTAL PRINCIPAL	540,212	541,780	523,150	584,061	324,200	1,286,000	2,182,584
TOTAL INTEREST	170,691	149,075	126,798	105,874	86,551	333,168	223,061
TOTAL DEBT REQUIREMENTS	\$ 710,903	\$ 690,855	\$ 649,948	\$ 689,935	\$ 410,751	\$ 1,619,168	\$ 2,405,645

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE H--LONG-TERM DEBT--Continued

Notes payable consisted of the following:

	December 31	
	2006	2005
Note payable to bank in annual principal payments of \$39,200, maturing on November 19, 2018, plus interest at a fixed interest of 3.95% on the outstanding balance, secured by a real estate mortgage.	\$ 470,400	\$ 509,600
Note payable to bank in annual installments of \$39,013, maturing on February 1, 2009, including interest at a fixed interest of 3.95%, secured by a fire truck.	106,161	139,584
Note payable to bank in annual principal payments of \$16,000, maturing on March 25, 2010, plus interest at a fixed interest rate of 4.75% on the outstanding balance, secured by a real estate mortgage.	224,000	240,000
Note payable to bank in annual installments of \$18,993, maturing on January 20, 2010, including interest at a fixed interest rate of 5.15%, secured by a Wildland fire truck.	<u>67,000</u>	<u> </u>
TOTAL NOTES PAYABLE	<u>\$ 867,561</u>	<u>\$ 889,184</u>

NOTE I--CAPITALIZED LEASE OBLIGATIONS

The Township has a lease agreement with Marquette County as a result of the construction of a sewer interceptor. The sewer interceptor was constructed in conjunction with the construction of the Marquette Area Wastewater Treatment Facility and was financed by the overall bond issue that financed the construction of the Facility. The Township's portion of the leased assets comprises approximately 5.2 percent of the total project cost and bond issue. The lease has been capitalized for financial statement purposes. The Township's portion of the lease obligation corresponds to approximately 5.2 percent of the principal and interest payments required to retire the original \$2,500,000 bond issue used to construct the Marquette Area Wastewater Treatment Facility.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE I--CAPITALIZED LEASE OBLIGATIONS--Continued

Under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Township and Marquette County also entered into a contractual agreement for construction of the Trowbridge Park Sewer System (Marquette County Sewage Disposal System No. 1). The project was financed by an Environmental Protection Agency grant in the amount of \$3.10 million awarded to the Township and \$2.35 million in general obligation bonds issued through the County of Marquette. Since construction took place within Marquette Township, the Township carries the constructed assets on its books and has recognized a liability for the bond obligation. The Township has pledged its full faith and credit to pay its contractual obligations.

The County acquired the system and leased it to the Township, commencing with the completion of the project. The Township pays all costs of operating, maintaining, and administering the system.

Future minimum lease payments on the two capital lease obligations are payable as follows:

	<u>Sewer Interceptor</u>	<u>Sewer System</u>	<u>Total</u>
2007	\$ 9,219	\$ 191,908	\$ 201,127
2008	8,856	179,253	188,109
2009		168,889	168,889
2010		156,715	156,715
2011		81,800	81,800
	<u>\$ 18,075</u>	<u>\$ 778,565</u>	<u>\$ 796,640</u>

NOTE J--DESIGNATED FUND BALANCE AND RETAINED EARNINGS

The Township Improvements Fund has a designated fund balance of \$78,631 for future improvements to Township roads, buildings, and recreational facilities.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE K--PROPERTY TAXES

Property taxes are levied on taxable values of property located in the Township. Assessed values are established annually (the first Monday in March) and equalized by the State at an estimated 50 percent of current market value. Taxable values are also established annually (the first Monday in March). Taxable values are based on equalized values, but there are certain limitations on taxable values. Taxable values for each parcel of property cannot increase each year by more than the increase in the general price level of the preceding year or 5 percent, whichever is less, until ownership of the parcel is transferred. The property taxes are levied on December 1, and are payable without penalty through the following February 14. Property taxes are recognized as revenue in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The property taxes levied on December 1, are recorded as revenue in the following year because they are expected to finance expenditures of the following year.

The Township collects its own property taxes and also collects property taxes of the State of Michigan, County of Marquette, intermediate school district, and local school district within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Tax Collection Fund.

NOTE L--PENSION PLANS

The Township is a member of the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer pension plan that covers all full time employees of the Township. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries in accordance with state statute and Township ordinance after a ten-year vesting period. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the entire MERS system. The report may be obtained by writing to the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

All full-time employees' benefits vest after ten years of service. Current Township union and administrative non-union active employees covered by the defined benefit plan who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit payable monthly in an amount equal to the sum of 2.00 percent of a member's five year average compensation, times the number of years service (B2). (MERS) provides for early retirement benefits for all active employees at age 55 with 15 years of service at a reduced retirement benefit, at age 50 with 25 years of service at a reduced retirement benefit, at age 55 with 15, 20, 25, or 30 years of service without reduced benefits and at age 50 with 25 or 30 years of service without reduced benefits.

NOTES TO FINANCIAL STATEMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

NOTE L--PENSION PLANS--Continued

Current, active Township employees and management employees covered by the defined benefit plan hired after January 1, 1999, are entitled to an automatic non-compounded 2.5 percent increase without any Consumer Price Index limitation (E-2).

The System also provides death and disability benefits. The benefit provisions and all other requirements are established by state statute and Board ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be not less than 25 percent of the member's final average compensation.

If an employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect Option II (100 percent joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85 percent of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Bargaining Unit Plan members are required to contribute 2.0 percent of their annual salary to the plan. The Township is required to contribute an actuarially-determined rate. The contribution requirements of plan members and the Township are established and may be amended by the Township and the MERS Board of Trustees, respectively.

NOTE M--DEFERRED COMPENSATION PLANS

The Township offers its employees a deferred compensation plan created in accordance with IRS Code Section 457. The plan is administered by the International City Managers Association (ICMA) and permits employees to defer a portion of their current earnings. The Township does not make any contributions to the plan. Voluntary contributions made to the plan for the year ended December 31, 2006, totaled \$5,400.

The Township also participates in a medical/dependent care plan created in accordance with IRS Code Section 125. The plan is administered by American Family Life Assurance Company (AFLAC) and permits employees to defer a portion of their current earnings. The Township does not make any contributions to the plan. Voluntary contributions made to the plan for the year ended December 31, 2006, totaled \$832.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE N--INTERFUND TRANSFERS IN AND OUT

Operating transfers between the Township's funds for the year ending December 31, 2006, are as follows:

Fund	Transfer In	Fund	Transfer Out
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 65,707	General	\$ 55,000
Township improvements	55,000	Fire	4,000
Debt service	302,453	Wastewater	23,000
Stormwater	12,000	Water	325,453
		Liquor Law	4,707
		Solid Waste	23,000
TOTAL PRIMARY GOVERNMENT	435,160	TOTAL PRIMARY GOVERNMENT	435,160
TOTAL COMPONENT UNIT	0	TOTAL COMPONENT UNIT	0
TOTAL REPORTING ENTITY	<u>\$ 435,160</u>	TOTAL REPORTING ENTITY	<u>\$ 435,160</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE O--SEGMENT INFORMATION

The Township maintains three Enterprise Funds that provide water and sewer services and garbage collection to Township residents. Segment information and the consolidated statement of cash flows for the year ended December 31, 2006, is as follows:

	Waste Water Utility	Water Utility	Solid Waste Utility	Total Enterprise Utility
Operating revenues	\$ 549,315	\$ 1,053,034	\$ 267,058	\$ 1,869,407
Operating expenses less depreciation	329,000	632,879	261,481	1,223,360
Depreciation	92,746	60,822		153,568
Income (loss) from operations	127,569	359,333	5,577	492,479
Non-operating revenues (expenses)	59,430	46,900	262	106,592
Operating transfers:				
In				
Out	(23,000)	(342,862)	(23,000)	(388,862)
Net income (loss)	163,999	63,371	(17,161)	210,209
Property, plant, and equipment:				
Additions	162,813	1,868,307		2,031,120
Deductions				
Working capital	1,139,171	771,825	281,335	2,192,331
Total assets	4,273,384	7,293,338	400,642	11,967,364
Non-current liabilities	468,166	4,210,842	19,870	4,698,878
Beginning net assets	3,450,042	2,217,073	367,346	6,034,461
Change in net assets	163,999	63,371	(17,161)	210,209
Retained earnings at end of year	3,614,041	2,280,444	350,185	6,244,670
Beginning cash and cash equivalents	1,192,915	661,707	206,691	2,061,313
Net cash provided by:				
Operating activities	267,183	679,359	16,637	963,179
Noncapital financing activities	(23,000)	(140,453)	(23,000)	(186,453)
Capital and related financing activities	(234,247)	1,616,897	(10,481)	1,372,169
Investing activities	(42,407)	(1,809,849)	2,641	(1,849,615)
Ending cash and cash equivalents	<u>\$ 1,160,444</u>	<u>\$ 1,007,661</u>	<u>\$ 192,488</u>	<u>\$ 2,360,593</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE P--DOWNTOWN DEVELOPMENT AUTHORITY

The Township established a Downtown Development Authority (DDA) pursuant to Public Act 197 of 1975, as amended, by adoption of Township Ordinance 040886. Township Ordinance 050587 adopted and approved a Development Plan and a Tax Increment Financing Plan for the Township's Downtown Development Area. Both of these ordinances have been amended in subsequent years.

The current Development Area consists of approximately 740 acres of land. Improvements to the Development Area consist of water and sewer system extensions, wastewater treatment capacity, and road extensions. The cost of most improvements is financed by tax increment revenues, Downtown Development general obligation bonds, and unbonded debt agreements.

The DDA is accounted for as a discretely presented component unit.

NOTE Q--RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Township currently has employed a cooperative action agreement with the Michigan Township Participating Plan (Plan) in order to manage these risks.

The purpose of the agreement is to jointly exercise powers common to each participating member; to prevent or lessen the incidence and severity of casualty losses occurring in the operations of members; and to defend and protect, in accordance with the agreement, any member against liability or loss. The Township's membership provides them with coverage in the following risk areas: property damage, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, and boiler. Through its membership in the Plan, the Township does not assume indemnification or responsibility for the debts or claims against other members.

Workers' compensation risks are covered by a policy with the Accident Fund of Michigan.

Certain other risks, such as damage to underground pipes, are borne by the Township. The Township believes that the amount of actual or potential claims, if any, against the Township as of December 31, 2006, are not material to the financial statements. Therefore, no provision for estimated claims is included in the financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

NOTE R--MUNICIPAL WELL SYSTEM

During the year ended December 31, 2006, the Township completed construction of a municipal well system to supply water to its residents. The project commenced water delivery to its customers on December 16, 2006.

The project has been financed with the issuance of bonds through the Michigan Municipal Bond Authority and was funded through a loan from the DWRF. The total amount of funding for the project is \$4,174,184, as of December 31, 2006. The loan bears interest at 2.125 percent and matures on October 1, 2025.

NOTE S--RESTRICTED NET ASSETS

The Township has reported restricted net assets of \$354,234 as of December 31, 2006, on the Statement of Net Assets. The restrictions represent the amount reported on the Statement of Net Assets related to the Township's investment in the Marquette County Wastewater Treatment Plant and the Marquette County Solid Waste Authority.

NOTE T--RESTATEMENT DUE TO ERROR CORRECTION

During the year ended December 31, 2006, the Township discovered an error representing an overstatement of bonds and notes payable and an understatement of net assets as of December 31, 2005. The Governmental Activities net assets as of December 31, 2005, have been restated by \$139,391 to correct for this error.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE--GENERAL FUND

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 796,171	\$ 796,171	\$ 805,937	\$ 9,766
Licenses, permits, and fees	6,000	6,000	7,394	1,394
State sources	245,167	245,167	239,994	(5,173)
Charges for services	2,600	2,600	5,400	2,800
Interest income	16,518	21,518	30,995	9,477
Other	30,376	35,376	57,622	22,246
TOTAL REVENUES	1,096,832	1,106,832	1,147,342	40,510
EXPENDITURES				
Current:				
Legislative	83,429	79,029	72,755	6,274
General government	534,963	586,433	568,485	17,948
Public Safety	187,899	185,899	173,869	12,030
Public Works	18,500	18,500	12,155	6,345
Recreation	139,359	139,359	132,726	6,633
Contingency	2,500	2,500		2,500
Capital outlay	7,000	7,000	936	6,064
Debt service:				
Principal	105,323	89,323	89,323	
Interest	36,005	34,105	33,882	223
TOTAL EXPENDITURES	1,114,978	1,142,148	1,084,131	58,017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,146)	(35,316)	63,211	98,527
OTHER FINANCING SOURCES (USES)				
Operating transfers in	65,592	65,592	65,707	115
Operating transfers out	(55,000)	(55,000)	(55,000)	
TOTAL OTHER FINANCING SOURCES (USES)	10,592	10,592	10,707	115
NET CHANGE IN FUND BALANCE	(7,554)	(24,724)	73,918	98,642
Fund balance at beginning of year	95,378	80,133	173,735	
FUND BALANCE AT END OF YEAR	\$ 87,824	\$ 55,409	\$ 247,653	\$ 98,642

BUDGETARY COMPARISON SCHEDULE--MAJOR GOVERNMENTAL FUND--FIRE FUND

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 321,550	\$ 321,550	\$ 322,186	\$ 636
State grants			1,050	1,050
Charges for services	5,000	5,000	20,713	15,713
Interest income	7,269	7,269	4,661	(2,608)
Other	1,500	1,500	1,843	343
TOTAL REVENUES	335,319	335,319	350,453	15,134
EXPENDITURES				
Current:				
General government	20,463	24,463	16,268	8,195
Public Safety	216,460	218,460	203,009	15,451
Capital outlay	37,500	37,500	27,903	9,597
Debt service	39,013	39,013	39,013	(0)
TOTAL EXPENDITURES	313,436	319,436	286,193	33,243
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,883	15,883	64,260	48,377
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out	(4,000)	(4,000)	(4,000)	
Fire protection--outgoing				
TOTAL OTHER FINANCING SOURCES (USES)	(4,000)	(4,000)	(4,000)	0
NET CHANGE IN FUND BALANCE	17,883	11,883	60,260	48,377
Fund balance at beginning of year	360,306	32,736	109,899	
FUND BALANCE AT END OF YEAR	\$ 378,189	\$ 44,619	\$ 170,159	\$ 48,377

BUDGETARY COMPARISON SCHEDULE--MAJOR GOVERNMENTAL FUND--TOWNSHIP
IMPROVEMENTS FUND

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
REVENUES				
Interest income	\$ 3,500	\$ 3,500	\$ 6,220	\$ 2,720
Reimbursement of prior year expense		14,100	14,100	
TOTAL REVENUES	<u>3,500</u>	<u>17,600</u>	<u>20,320</u>	<u>2,720</u>
EXPENDITURES				
Current:				
General government	1,000	1,000	546	454
Road improvements	50,000	100,800	100,704	96
Capital outlay	<u>7,500</u>	<u>7,500</u>		<u>7,500</u>
TOTAL EXPENDITURES	<u>58,500</u>	<u>109,300</u>	<u>101,250</u>	<u>8,050</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,000)	(91,700)	(80,930)	10,770
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCE		(36,700)	(25,930)	10,770
Fund balance at beginning of year	<u>261,698</u>	<u>159,198</u>	<u>104,561</u>	
FUND BALANCE AT END OF YEAR	<u><u>\$261,698</u></u>	<u><u>\$122,498</u></u>	<u><u>\$ 78,631</u></u>	<u><u>\$ 10,770</u></u>

OTHER SUPPLEMENTAL INFORMATION

DETAILS OF LONG-TERM DEBTSCHEDULE OF PRINCIPAL AND
INTEREST REQUIREMENTS

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Fire Truck Installment Loan
General Long-Term Obligations
Notes Payable

<u>Payable In Year</u>	<u>Beginning Balance</u>	<u>Annual Payments</u>		<u>Ending Balance</u>
		<u>Principal</u>	<u>Interest</u>	
2007	\$ 106,161	\$ 34,779	\$ 4,233	\$ 71,382
2008	71,382	36,157	2,855	35,225
2009	35,225	<u>35,225</u>	<u>1,409</u>	
		<u>\$ 106,161</u>	<u>\$ 8,497</u>	

Land Purchase Mortgage
General Long-Term Obligations
Notes Payable

<u>Payable In Year</u>	<u>Beginning Balance</u>	<u>Annual Payments</u>		<u>Ending Balance</u>
		<u>Principal</u>	<u>Interest</u>	
2007	\$ 470,400	\$ 39,200	\$ 18,581	\$ 431,200
2008	431,200	39,200	17,032	392,000
2009	392,000	39,200	15,484	352,800
2010	352,800	39,200	13,936	313,600
2011	313,600	39,200	12,387	274,400
2012-2016	274,400	196,000	38,710	78,400
2017-2020	78,400	<u>78,400</u>	<u>4,645</u>	
		<u>\$ 470,400</u>	<u>\$ 120,775</u>	

DETAILS OF LONG-TERM DEBT SCHEDULE OF PRINCIPAL AND
INTEREST REQUIREMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Marquette Area Wastewater Treatment Plant
General Long-Term Obligations
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2007	\$ 594	\$ 13,653	\$ 594	\$ 14,841
2008	300	13,653	300	14,253
	<u>\$ 894</u>	<u>\$ 27,306</u>	<u>\$ 894</u>	<u>\$ 29,094</u>

Badger Creek Drain Bonds
General Long-Term Obligations
Bonds Payable

Payable In Year	April 1			October 1 Interest	Interest Rate	Total
	Principal	Interest	Fees			
2007	\$ 53,463	\$ 5,765	\$ 267	\$ 3,948	6.70	\$ 63,443
2008	56,805	3,948	267	1,988	6.80	63,008
2009	56,805	1,993	267		6.90	59,065
	<u>\$ 167,073</u>	<u>\$ 11,706</u>	<u>\$ 801</u>	<u>\$ 5,936</u>		<u>\$ 185,516</u>

DETAILS OF LONG-TERM DEBT SCHEDULE OF PRINCIPAL AND INTEREST
 REQUIREMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Sewer Interceptor Capital Lease Obligation
 Wastewater Fund
 Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2007	\$ 369	\$ 8,482	\$ 368	\$ 9,219
2008	187	8,482	187	8,856
	<u>\$ 556</u>	<u>\$ 16,964</u>	<u>\$ 555</u>	<u>\$ 18,075</u>

Sewage Disposal System No. 1
 Wastewater Fund
 Refunding Bonds--Limited Tax, Series 1998A

Payable In Year	May 1		November 1	Total
	Principal	Interest	Interest	
2007	\$ 160,459	\$ 15,103	\$ 16,346	\$ 191,908
2008	155,726	11,309	12,218	179,253
2009	153,352	7,609	7,928	168,889
2010	150,810	4,105	1,800	156,715
2011	<u>80,000</u>	<u>1,800</u>		<u>81,800</u>

DETAILS OF LONG-TERM DEBTSCHEDULE OF PRINCIPAL AND INTEREST
 REQUIREMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Marquette County Solid Waste Facility
 Solid Waste Fund
 Bonds Payable

Payable In Year	May 1		November 1	Total
	Interest	Principal	Interest	
2007	\$ 921	\$ 8,681	\$ 699	\$ 10,301
2008	694	9,453	260	10,407
2009	260	10,418		10,678
	<u>\$ 1,875</u>	<u>\$ 28,552</u>	<u>\$ 959</u>	<u>\$ 31,386</u>

Land Purchase Mortgage
 Water Fund
 Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2007	\$ 224,000	\$ 16,000	\$ 10,788	\$ 208,000
2008	208,000	16,000	10,045	192,000
2009	192,000	16,000	9,247	176,000
2010	176,000	176,000	8,476	
		<u>\$ 224,000</u>	<u>\$ 38,556</u>	

DETAILS OF LONG-TERM DEBTSCHEDULE OF PRINCIPAL AND INTEREST
 REQUIREMENTS--Continued

CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN

December 31, 2006

Drinking Water Program
 Water Fund
 Michigan Municipal Bond Authority

Payable In Year	October 1		April 1	Total
	Principal	Interest	Interest	
2007	\$ 190,000	\$ 44,417	\$ 44,200	\$ 278,617
2008	190,000	42,398	42,398	274,796
2009	195,000	40,379	40,379	275,758
2010	200,000	38,307	38,307	276,614
2011	205,000	36,182	36,182	277,364
2012-2016	1,090,000	147,229	147,229	1,384,458
2017-2025	2,104,184	109,208	109,208	2,322,600
	<u>\$ 4,174,184</u>	<u>\$ 458,120</u>	<u>\$ 457,903</u>	<u>\$ 5,090,207</u>

Wildland Fire Engine Installment Loan
 General Long-Term Obligations
 Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2007	\$ 67,000	\$ 15,495	\$ 3,498	\$ 51,505
2008	51,505	16,304	2,689	35,201
2009	35,201	17,150	1,843	18,051
2010	18,051	<u>18,051</u>	<u>943</u>	
		<u>\$ 67,000</u>	<u>\$ 8,973</u>	

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2004	\$ 395,683	\$ 369,543	\$ (26,140)	107%	\$ 243,830	0%
2005	\$ 453,794	\$ 807,153	\$ 353,359	56%	\$ 514,304	69%
2006	\$ 637,142	\$ 1,084,458	\$ 447,316	59%	\$ 597,845	75%

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 25 years.



MAKELA, TOUTANT, HILL & NARDI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street
Marquette, Michigan 49855

Members
American Institute of CPA's
Michigan Association of CPA's

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Charter Township of Marquette
Marquette, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette (Township), Marquette, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



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Township Board
Charter Township of Marquette

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated June 8, 2007.

This report is intended solely for the information of the Township Board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Makela, Toutant, Hill & Nardi, P.C.

June 8, 2007



MAKELA, TOUTANT, HILL & NARDI, P.C.
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201 West Bluff Street
Marquette, Michigan 49855

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Township Board
Charter Township of Marquette
Marquette, Michigan

Compliance

We have audited the compliance of the Charter Township of Marquette with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Charter Township of Marquette's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Marquette's management. Our responsibility is to express an opinion on the Charter Township of Marquette's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Marquette's compliance with those requirements and performing such other procedures, as we considered necessary in our circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Marquette's compliance with those requirements.

In our opinion, the Charter Township of Marquette complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.



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Internal Control Over Compliance

The management of the Charter Township of Marquette is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Marquette's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Makela, Youtant, Hill + Nardi, P.C.

June 8, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2006

<u>Federal Agency/Pass-through Agency/ Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Project/Grant Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through Michigan Municipal Bond Authority - Capitalization Grants for Drinking Water State Revolving Funds	66.468	7160-01	\$4,520,000	<u>\$ 718,793</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CHARTER TOWNSHIP OF MARQUETTE
MARQUETTE, MICHIGAN**

December 31, 2006

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Schedule of Expenditures of Federal Awards* is prepared using the same significant accounting policies as those used in the preparation of the basic financial statements.

NOTE B--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Marquette and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2006

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the Basic Financial Statements of the Charter Township of Marquette.
2. No reportable conditions were disclosed during the audit of the Consolidated Financial Statements.
3. No instances of noncompliance material to the financial statements of the Charter Township of Marquette were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award program the Charter Township of Marquette expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that require disclosure under section 510(a) of OMB Circular A-133.
7. The program that was tested as major was the Capitalization Grant for Drinking Water State Revolving Fund (CFDA #66.468).
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Charter Township of Marquette did not qualify as a low-risk auditee.

FINDINGS--FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS

None